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**SPECIAL AUDIT REPORT
OF THE AUDITOR-GENERAL ON
PAYROLL MANAGEMENT FOR
COUNTY EXECUTIVE OF UASIN GISHU**

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COUNTY 027

JULY 2025



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FOREWORD BY THE AUDITOR-GENERAL

I am pleased to present this Special Audit Report on Payroll Management for the Uasin Gishu County Executive for the financial years 2021/2022, 2022/2023 and 2023/2024. Article 229 of the Constitution of Kenya, 2010 mandates the Auditor-General to undertake financial, compliance and performance audits. Further, Section 7(1)(a) of the Public Audit Act, 2015 requires

the Auditor-General to give assurance on the effectiveness of internal controls, risk management and overall governance at national and county governments. The Special Audit on Payroll Management for the Uasin Gishu County Executive was conducted in line with this mandate.

The Special Audit evaluated the human resource and payroll processes at the Uasin Gishu County Executive, and assessed their compliance with the established legal framework on payroll management. The scope of the Special Audit covered the requirements of the Second Kenya Devolution Support Programme (KDSP II), whose objective is to strengthen county-level performance and accountability.

The Special Audit identified weaknesses in controls and irregularities in salary processing and payments, and provides recommendations to the Uasin Gishu County Executive for enhancing compliance, accuracy, accountability, and efficiency in payroll management.

The report is submitted to Parliament in accordance with Article 229 (7) of the Constitution of Kenya, 2010 and Section 39 (1) of the Public Audit Act, 2015. I have also remitted copies of the report to the Principal Secretary, State Department for Devolution, Chairperson, the Uasin Gishu County Public Service Board and the Governor, Uasin Gishu County Government.

The Annexures contain personal data and will be handled in accordance with the data protection principles as provided for in the Data Protection Act, 2019.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

8 July, 2025

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ABBREVIATIONS

CBA	Collective Bargaining Agreement
COB	Controller of Budget

COs	Chief Officers
CPSB	County Public Service Board
DO	Development Objective
DSA	Daily Subsistence Allowance
DLI	Disbursement-Linked Indicator
GoK	Government of Kenya
HR	Human Resource
HRIS-Ke	Human Resource Information System – Kenya
IDA	International Development Association
IFMIS	Integrated Financial Management Information System
IPPD	Integrated Payroll and Personnel Database
ISSAIs	International Standards of Supreme Audit Institutions
KDSP	Kenya Devolution Support Programme
KRA	Key Result Area
MIS	Management Information System
NHIF	National Hospital Insurance Fund
NSSF	National Social Security Fund
OAG	Office of the Auditor-General
PAYE	Pay As You Earn
PFM	Public Finance Management
PSC	Public Service Commission
SRC	Salaries and Remuneration Commission

1. EXECUTIVE SUMMARY

Introduction and Background

- 1.1 Article 229 of the Constitution of Kenya, 2010 mandates the Auditor-General to undertake financial, compliance and performance audits. Further, Section 7 (1) (a) of the Public Audit Act, 2015 requires the Auditor-General to give an assurance on the effectiveness of internal controls, risk management and overall governance at national and county governments. In addition, Section 34 of the Public Audit Act, 2015 mandates the Auditor-General to conduct periodic audits upon request or at the Auditor-General's own initiative, with a view to evaluating the effectiveness of risk management, control and governance processes in public entities. The Special Audit on Payroll Management for the Uasin Gishu County Executive referred to as the County Executive was conducted in line with this mandate.
- 1.2 The Government of Kenya (GoK) received an International Development Association (IDA) Credit of EUR140.7 million (Approximately Kshs.19,538,432,130,000 using the prevailing exchange rate as at 28 June 2024) from the World Bank, to implement the Second Kenya Devolution Support Program (KDSP II). KDSP II supports a sub-set of reforms envisaged under the Government's Devolution Sector Plan. The financing agreement, Credit Number IDA-7447-KE, became effective in March 2024 and is set to be implemented over a four-year period; 2023-2027. The development objective of the KDSP II is to strengthen county performance in the financing, management, coordination, and accountability for resources. To achieve the DO, the Program was expected to improve outcomes in the participating counties under three (3) Key Result Areas (KRAs). KRA 1 was on sustainable financing and expenditure management, KRA 2 on intergovernmental coordination, institutional performance, and human resource management, and KRA 3 on oversight, participation, and accountability.
- 1.3 The Special Audit on Payroll Management for the County Executive is linked to Key Result Area (KRA) 2. There are two (2) Disbursement-Linked Indicators (DLIs) under this KRA:

- i. Participating counties that have integrated their human resource records, authorized staff establishment and payroll, and uploaded cleaned payrolls in the human resource management information system;
 - ii. Participating counties that are enhancing accountability for results through an integrated performance management framework.
- 1.4 From 2013, the County Executive was using the Integrated Payroll and Personnel Database (IPPD) System to operate payroll for employees with personal numbers, while excel spreadsheets were used to operate payroll for employees without personal numbers. However, due to technological limitations at the time of its development, IPPD did not comprehensively address all human resource related functions. This led to development of a web-based Human Resource Information System-Kenya (HRIS-Ke) in 2024.
- 1.5 A parallel run of the IPPD System and HRIS-Ke was conducted across Ministries, Departments and Agencies and County Governments in November 2024. This was to ensure the readiness of the HRIS-Ke for roll out. Thereafter, in January 2025, the HRIS-Ke was fully adopted for payroll management.

Audit Objectives

- 1.6 The objective of the Special Audit on Payroll Management was to assess the adequacy of controls and compliance across the entire payroll process - from budgeting and recruitment to salary processing and payment. The specific objectives were to:
 - i. Evaluate whether the preparation and execution of the payroll budget align with relevant laws and approved budgetary provisions;
 - ii. Assess whether the recruitment process complied with applicable legal, regulatory, and organizational frameworks governing employment;
 - iii. Assess the integrity of payroll data and identify any double entries, entries in multiple institutions, unverified employees, or inconsistencies across the County Government Payroll System;
 - iv. Determine the accuracy of payroll calculations and payments; and

- v. Evaluate adherence to tax laws, labour laws, and other statutory requirements; and
- vi. Assess whether payroll data was accurately and completely migrated from IPPD system to Human Resource Information System – Kenya (HRIS-Ke).

Audit Scope

- 1.7 The Special Audit of payroll management covered financial years 2021/2022, 2022/2023 and 2023/2024. It entailed review of the payroll management system and other related records maintained by the County Executive. The payroll systems included the Integrated Payroll and Personnel Database (IPPD), manual and casual payrolls.

Methods of Gathering Evidence

- 1.8 The Special Audit on Payroll Management involved review of payroll processes at the County Headquarters, analysis of payroll data and comparison with records maintained by the County Executive.
- 1.9 The methods used to gather audit evidence included document review, data analytics, interviews with key payroll staff and physical verification of staff. Further, audit evidence was gathered through walk through tests. In addition, data validation was also conducted to test data integrity.

Summary of Findings

The key audit findings are as detailed below: -

A. Payroll Budgeting

I. Employee Cost to Revenue Ratio

- 1.10 The audit established that the ratio of the budgeted compensation of employees to the budgeted revenue for the County Executive exceeded thirty-five percent (35%) in the three (3) financial years. This is contrary to Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015. Further, a comparison of the actual personal emolument expenditure, with the actual revenue, revealed that the County Executive also exceeded the thirty-five percent (35%) threshold in the three (3) years. This indicates a wage bill which has strained the County's financial resources, limiting funds available for critical development projects and essential service delivery.

II. Budget Votes in Payroll Systems not Aligned with those in Approved Budget

- 1.11 The Special Audit established that vote heads in IPPD were not aligned with those in the approved budget. One of the primary factors contributing to the misalignment between the departments and the vote lines was the failure to update the IPPD System to reflect changes resulting from the restructuring and consolidation of various sectors within the County Executive. The continued referencing to outdated departmental structures leads to inconsistencies between budgetary allocations and actual payroll expenditures, increasing the risk of misallocation or even misuse of public funds, as expenditure may be charged under incorrect or obsolete vote heads.

B. Recruitment Process

I. Lack of Annual Recruitment Plans

- 1.12 The County Executive recruited three thousand nine hundred and eighty-two employees (3,982) during the three (3) financial years. However, it was established that the recruiting departments did not have annual recruitment plans to guide the

recruitments. The lack of annual recruitment plans can result in either overstaffing, understaffing, or hiring for roles that do not align with organizational priorities.

II. Designations in the Integrated Payroll and Personnel Systems not Aligned with Approved Staff Establishment

- 1.13 The Special Audit established that there were designations in the approved staff establishment that were not configured in the IPPD System and the HRIS-Ke. To facilitate salary processing, the affected employees were placed in similar Job Groups in the IPPD System. This process can lead to inefficiencies in workforce planning and budget overruns.

C. Employee Data Management

I. Missing Bio Data Details in the Manual Payrolls

- 1.14 Analysis of the manual payrolls as at 30 June 2024 reveal that, five hundred and seventy-six (576) officers did not have National Social Security fund (NSSF) numbers, National Health Insurance fund (NHIF) numbers and Kenya Revenue Authority (KRA) PIN numbers.

II. Failure of Chief Officers to Account for Human Resources in their Departments

- 1.15 The Chief Officers (COs) were requested to provide a list of staff members in their respective departments as at 30 June, 2024. A comparison of the staff lists countersigned by various Chief Officers, with the staff register from the IPPD System, established that there were six (6) employees that in the IPPD System but not in the staff lists provided by Chief Officers. The six (6) employees were paid Kshs.7,652,097 during the period under review. The failure to account for human resource in various departments presents the risk of irregular or fraudulent payments in the County Executive.

D. Payroll Processing and Payments

- 1.16 The audit assessed controls in payroll processing and payments to determine whether employee salaries and deductions were accurately calculated, authorized,

and compliant with applicable laws and policies and the accuracy of payments. The following issues were established:

I. Charging of Employee Costs to the Wrong Budget Vote

- 1.17 The Special Audit established that there was a misalignment between departmental vote heads in IPPD System and those in IFMIS ledger account. As a result, comparison of gross salary processed through IPPD System, casual payroll and manual payrolls to salary ledgers from Integrated Financial Management Information System (IFMIS) established that posting of salary in IFMIS was not done as per departmental budget votes. This misalignment creates inconsistencies between budget allocations and actual expenditures by departments, therefore increasing the risk of misuse of funds and inaccurate financial reporting.

II. Employee in Both IPPD and Manual Payrolls

- 1.18 During the years under review, the County Executive was maintaining payroll in IPPD system for employees with Payroll Numbers, Manual Payrolls for employees without payroll numbers and casual payroll for casual workers. Comparison between manual payrolls provided and IPPD generated payroll revealed that there were fifteen (15) employees who were paid in both payrolls. The total amount paid to these employees was Kshs.3,185,294.

III. Misuse of Arrears to Circumvent Controls Over Payment of Allowances

- 1.19 During the years 2021/22, 2022/23 and 2023/24 the County Government of Uasin Gishu paid arrears amounting to Kshs.60,348,672, Kshs.22,697,587 and Kshs.33,140,189 respectively. Further examination of records established irregularities and control weaknesses, including the payment of gross monthly allowances totaling Kshs.52,247,774 during the financial year 2021/2022 to five hundred and thirty-four (534) employees who were not eligible for the allowance,

IV. Drawing Salary from Different Government Entities

- 1.20 The Special Audit established that during the financial year 2023/2024, two (2) employees were concurrently engaged by both the County Executive of Uasin Gishu and the Teachers Service Commission between July 2023 and January 2024. The officers were paid a total of Kshs.358,240. The two officers failed to present themselves for physical verification, and it was further reported that they had absconded duty.

E. Compliance with Laws and Regulations

I. Irregular Acting Allowances

- 1.21 Analysis of the IPPD payroll for the year 2023/2024 audit revealed ten (10) employees were paid acting allowance for more than six (6) months contrary to Section C.14(1) of the Public Service Commission – Human Resource Policies and Procedure Manual (2016). The total amount paid was Kshs.1,386,677.

II. Non-Compliance to Remittance of Statutory Deductions

- 1.22 Examination of payment records and bank statements provided for audit verification revealed that National Health Insurance Fund (NHIF), National Social Security Fund (NSSF), and Pay As You Earn (PAYE) deductions from employees were not remitted to the respective funds on time.

III. Non-Compliance with Requirement on Ethnic Diversity

- 1.23 Analysis of employees in the IPPD system as at 30 June, 2024 established that 86% of the staff were from one dominant ethnic community contrary to the requirements of Section 7(2) of the National Cohesion and Integration Act, 2008. The non-compliance to ethnic diversity is a violation of legal requirements and may lead to litigation proceedings.

IV. Non-Compliance with One-Third Basic Salary Rule

- 1.24 An analysis of the staff payroll for the years under audit established that one thousand eight hundred and ninety-seven (1,897) employees were paid net salaries that were less than one-third of their basic salaries contrary to Section 19(3) of the Employment Act, 2007.

V. Casual Employees Engaged Beyond Stipulated Period

- 1.25 Review of casual employees' approval records from County Public Service Board revealed that thirty (30) casual workers within the Revenue Department were engaged for a period exceeding three (3) months. The County Public Service Board approved their continued engagement through successive approvals in response to departmental requests contrary to Section 37 (1) of the Employment Act, 2007. The engagement of casuals beyond the stipulated period exposes the County Executive to litigation proceedings and associated costs.

VI. Active Staff Above Age 60 years

- 1.26 Analysis of IPPD and Manual payroll data revealed that there were two (2) employees who had attained the retirement age of 60 years. The total amount paid for the extra years amounted to Kshs. 4,400,950.

VII. Non-Compliance with Gender Equality and Distribution in the County Government

- 1.27 The staff registers as of 30 June 2024 had 60% of employees from one gender. Further, out of one hundred and eighty-two (182) employees recruited during the year 2023-2024, one hundred and fifty-two (152) employees representing 84% were from the same dominant gender. This was contrary to Article 27(8) of the Kenyan Constitution, 2010, mandating fair gender representation in public appointments.

F. Migration from Integrated Payroll and Personnel Database System to Human Resource Information System-Kenya

- 1.28 The Special Audit established that in December 2024, three employees were introduced into the HRIS-Ke system despite not appearing in the November 2024 payroll, and no justification or supporting documentation was provided by Management for their inclusion. These employees received a gross payment of Kshs.91,760. Additionally, two hundred and thirty-six (236) officers were overpaid a total of Kshs.1,470,000, while thirty-six (36) officers were underpaid Kshs.380,000, highlighting the ineffectiveness of HRIS-Ke system controls. Furthermore, six (6) employees received net pay that was less than one-third of their basic salary. These issues collectively point to weaknesses in payroll management and internal control systems.

Conclusion

- 1.29 The Uasin Gishu County Government did not comply with requirement on limiting the Employee Cost within thirty-five percent (35%) of Revenue. The non-compliance with requirements on limiting the Employee Cost within thirty-five percent (35%) of Revenue indicates weaknesses in internal budgeting process and inadequate oversight role by the County Assembly. Therefore, the County's financial resources are strained, limiting the funds available for critical development projects and essential service delivery.
- 1.30 The Vote Heads in the IPPD System and HRIS-Ke were not aligned with those in the approved budgets and those configured in the IFMIS Ledgers. The misalignment hinders effective management of departmental budgets and control resulting to inaccurate financial reporting. Further, it undermines the obligations of the Accounting Officers to ensure lawful, efficient, and accountable use of public resources. In addition, it increases the risk of unauthorized or irregular salary payments.
- 1.31 The departments in the County Executive did not have approved annual human resource recruitment plans. The absence of annual recruitment plans demonstrates ineffective workforce planning. This hampers the County's ability to plan, budget, and deploy personnel effectively across departments, leading to staffing gaps or surpluses.
- 1.32 The audit identified that the data maintained by the payroll system used by the County Executive had integrity issues. This was evidenced by the inaccurate dates of birth in the IPPD System and HRIS-Ke. Data with integrity issues indicates weak internal controls and increases the risk of irregular or fraudulent payments, including paying salaries to staff who do not offer services to the County Executive.
- 1.33 The authenticity of some of the employees could not be established. This was evidenced by the failure by the Chief Officers to account for employees in their departments and the payroll data integrity issues. This casts doubt on authenticity of payroll records and raises the risk of irregular or fraudulent payments, including paying salaries to staff who do not offer services to the County.

- 1.34 There were instances where employees were overpaid or paid irregular allowances. This reflects weaknesses in the payroll system's controls, including poor data validation and lack of oversight. These lapses increase the risk of financial misstatements, fraudulent payments, and non-compliance with applicable policies, ultimately undermining the integrity and accountability of the payroll process.
- 1.35 The controls over processing and payment of salary were not adequate as evidenced by the circumventing payroll controls to pay irregular salary arrears. This indicates weak financial and human resource controls, that were exploited to process irregular payments. This weakness undermines the reliability of payroll data, increases the risk of financial loss, and reflects inadequate system and management controls.
- 1.36 The County Executive did not comply with tax and labour laws as evidenced by non-deduction, non-remittance, late remittance of statutory deduction and non-compliance with requirement on ethnic diversity and non-compliance with one-third basic salary rule. This violates legal and regulatory obligations, increasing the risk of penalties, litigation, and reputational damage, thereby undermining stakeholders' confidence.
- 1.37 The migration from the IPPD System to the HRIS-Ke was inadequately managed, resulting in overpayments, underpayments, and failure to migrate some employees. This indicates weaknesses in data validation, lack of system configuration to enforce salary structures, and insufficient post-migration reconciliation controls, thereby exposing the County Executive to financial loss and reputational risk.
- 1.38 The identified audit issues had persisted over time, suggesting a failure of risk identification mechanisms and an underperforming internal audit function that may not have identified and prevented the control breaches in a timely manner.

Recommendations

- 1.39 In view of the findings and conclusion of the Special Audit, the following is recommended for implementation by the Uasin Gishu County Executive.
- 1.40 To ensure compliance with the fiscal responsibility principle on capping expenditure on wages to thirty-five (35%) percent of the County Executive's total revenue, the County Assembly should establish mechanisms to ensure compliance with the PFM Act in the execution of its oversight responsibilities.
- 1.41 For effective management of departmental budgets and enhance accuracy in reporting of personal emolument expenditure per department thus promoting accountability, the Chief Officers for Public Finance together with the Management of the State Department for Public Service and Human Capital Development (the custodian of the Human Resource Information System-Kenya) should ensure that the Human Resource Information System – Kenya (HRIS-Ke) is at all time configured with the approved budget vote structures. Further, staff costs should be charged to the votes under which their budgets are made.
- 1.42 To enhance transparency, fairness, and accountability in the recruitment process, the County Executive should develop and implement annual recruitment plans aligned with staffing needs and budgetary provisions.
- 1.43 To enhance the attainment of optimal staffing levels, Management of the County Executive should align the payroll system with the approved staff establishment and ensure consistency between authorized positions and personnel data. Additionally, the staff establishment module in the HRIS-Ke should be fully implemented and configured to enforce recruitment strictly within the approved establishment limits.
- 1.44 To ensure integrity of data maintained in the payroll systems, the Management should ensure the validation controls are implemented in the in the HRIS-Ke. Further, the HRIS-Ke should be integrated with Key government systems such as the National Identity, National Social Security Fund (NSSF), Social Health

Authority (SHA). Additionally, the use of manual excel-based payrolls should be discontinued in favour of HRIS-Ke.

- 1.45 To reduce instances of financial loss due to irregular payment of allowances, enhance payroll integrity and support effective personnel management, the County Executive, together with the State Department for Public Service and Human Capital Development should ensure HRIS-Ke is appropriately configured to automatically enforce salary structures, as stipulated in the Salaries and Remuneration Commission Circulars and other relevant directives. Further, validations controls should be implemented in order to ensure compliance, enhance payroll accuracy, and prevent irregular financial transactions.
- 1.46 Management should conduct a comprehensive post-migration payroll reconciliation to identify and correct overpayments and underpayments resulting from the system transition. Further, HRIS-Ke should be configured to enforce approved salary structures and allowance.
- 1.47 All salaries and allowances irregularly paid or overpaid should be recovered and responsible officers held accountable.

2. INTRODUCTION AND BACKGROUND

Introduction and Background

- 2.1 Article 229 of the Constitution of Kenya, 2010 mandates the Auditor-General to undertake financial, compliance and performance audits. Further, Section 7 (1) (a) of the Public Audit Act, 2015 requires the Auditor-General to give an assurance on the effectiveness of internal controls, risk management and overall governance at national and county governments. In addition, Section 34 of the Public Audit Act, 2015 mandates the Auditor-General to conduct periodic audits upon request or at the Auditor-General's own initiative, with a view to evaluating the effectiveness of risk management, control and governance processes in public entities. The Special Audit of the Uasin Gishu County Executive referred to as the County Executive in this report was conducted in line with this mandate.
- 2.2 The Government of Kenya (GoK) received an International Development Association (IDA) Credit of EUR140.7 million (Approximately Kshs.19,538,432,130,000 using the prevailing exchange rate as at 28 June 2024) from the World Bank, to implement the Second Kenya Devolution Support Program (KDSP II). KDSP II supports a sub-set of reforms envisaged under the Government's Devolution Sector Plan. The financing agreement, Credit Number IDA-7447-KE, became effective in March 2024 and is set to be implemented over a four-year period; 2023-2027. The development objective of the KDSP II is to strengthen county performance in the financing, management, coordination, and accountability for resources. To achieve the DO, the Program was expected to improve outcomes in the participating counties under three (3) Key Result Areas (KRAs). KRA 1 was on sustainable financing and expenditure management, KRA 2 on intergovernmental coordination, institutional performance, and human resource management, and KRA 3 on oversight, participation, and accountability.
- 2.3 The Special Audit on Payroll Management for the County Executive is linked to Key Result Area (KRA) 2 There are two (2) Disbursement-Linked Indicators (DLIs) under this KRA:

- i. Participating counties that have integrated their human resource records, authorized staff establishment and payroll, and uploaded cleaned payrolls in the human resource management information system;
- ii. Participating counties that are enhancing accountability for results through an integrated performance management framework.

2.4 From 2013, the County Executive was using the Integrated Payroll and Personnel Database (IPPD) System to operate payroll for employees with personal numbers, while excel spreadsheets were used to operate payroll for employees without personal numbers. However, due to technological limitations at the time of its development, IPPD did not comprehensively address all human resource related functions. This led to development of a web-based Human Resource Information System-Kenya (HRIS-Ke) in 2024.

A parallel run of the IPPD System and HRIS-Ke was conducted across Ministries, Departments and Agencies and County Governments in November 2024. This was to ensure the readiness of the HRIS-Ke for roll out. Thereafter, in January 2025, the HRIS-Ke was fully adopted for payroll management.

Numbers of Employees and Payroll Expenditure

2.5 Over the three-year period under review, there was a gradual increase in the number of employees and payroll costs. The overall staff growth across the audit period was 18 % while the cumulative growth in payroll costs over the three years was approximately 4% as detailed in **Figures 1 and 2**. The increase in staff cost was due recruited one thousand two hundred and fifty-five (1,255) employees during the financial year 2021/2022, two thousand one hundred and twelve (2,112) employees during 2022/2023, and six hundred and fifteen (615) during 2023/2024 financial years.

Figure 1: Cumulative Growth in Payroll Costs

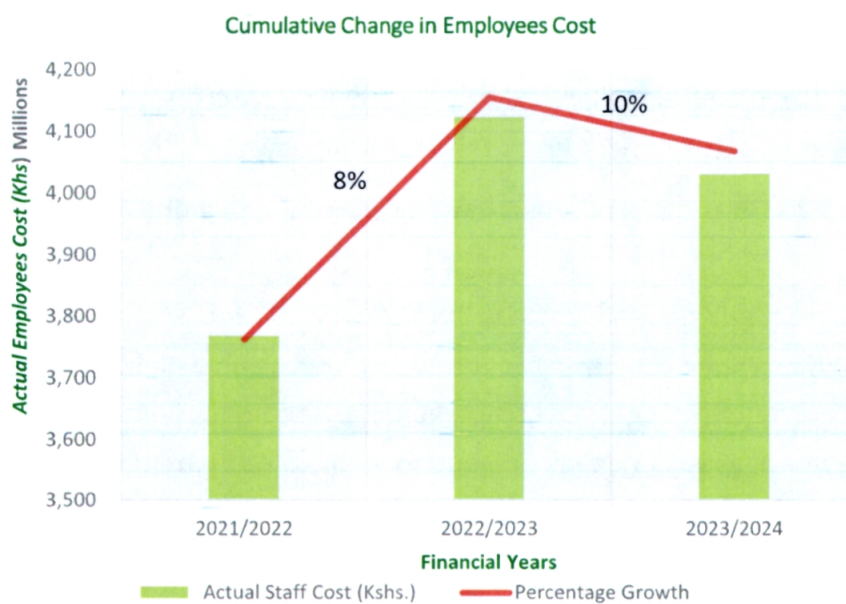
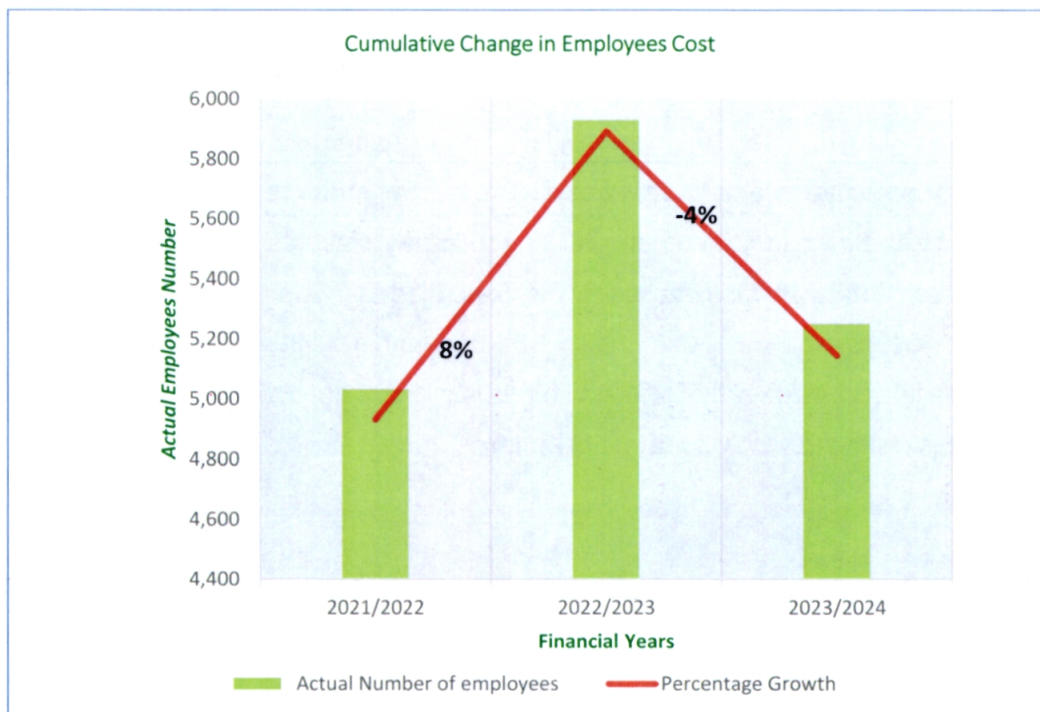


Figure 2: Cumulative Growth of Staff



Audit Objectives

- 2.6 The objective of the Special Audit on Payroll Management was to assess the adequacy of controls and compliance across the entire payroll process - from budgeting and recruitment to salary processing and payment. The specific objectives were to:
- i. Evaluate whether the preparation and execution of the payroll budget align with relevant laws and approved budgetary provisions;
 - ii. Assess whether the recruitment process complied with applicable legal, regulatory, and organizational frameworks governing employment;
 - iii. Assess the integrity of payroll data and identify any double entries, entries in multiple institutions, unverified employees, or inconsistencies across the County Government Payroll System;
 - iv. Determine the accuracy of payroll calculations and payments; and
 - v. Evaluate adherence to tax laws, labour laws, and other statutory requirements; and
 - vi. Assess whether payroll data was accurately and completely migrated from IPPD System to Human Resource Information System – Kenya (HRIS-Ke).

Audit Scope

- 2.7 The Special Audit of payroll management covered financial years 2021/2022, 2022/2023 and 2023/2024. It entailed review of the payroll management system and other related records maintained by the County Executive. The payroll systems included the Integrated Payroll and Personnel Database (IPPD), manual and casual payrolls.
- 2.8 The audit was carried out in the month of January, 2025.

Audit Methodology

- 2.9 The Special Audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). These standards require that the audit is planned and performed so as to draw reasonable audit conclusions on the design, implementation and operating effectiveness of internal controls.

Methods of Gathering Evidence

- 2.10 The Special Audit of Payroll Management involved review of payroll processes at the County Headquarters, analysis of payroll data and comparison with records maintained by the County Management.
- 2.11 The methods used to gather evidence during the audit included, document review, data analytics, interviews with key employees from the County Executive and physical verification of staff.

a) Document Review

- 2.12 The Audit Team reviewed various documents in order to set audit criteria and assess compliance with the criteria and in gathering audit evidence. They include:
- i. The Constitution of Kenya, 2010;
 - ii. The Public Finance Management Act, 2012;
 - iii. The Public Finance Management (County Government) Regulations, 2015;
 - iv. County Government Acts, 2012;
 - v. Employment Act, 2007 SRC Circular, Ref No: SRC/TS/CGOVT/3/16, July 2013;
 - vi. SRC Circular, Ref No: SRC/TS/29(81),2022;
 - vii. Compendium of Remuneration and Benefit for Public Service, December 2022;
 - viii. Approved Staff Establishments, 2018; and
 - ix. Collective Bargaining Agreements (CBAs), 2013

b) Data Analytics

- 2.13 Payroll and staff register data from the IPPD System and the HRIS-Ke were extracted and analyzed together with manual and casual's payrolls. The exceptions from the analysis were the basis for verification with payroll records maintained by the County Executive.
- 2.14 The following data sets for the financial years 2021/2022, 2022/2023 and 2023/2024 were analyzed: -
- i. IPPD Staff Registers and Payroll Data;
 - ii. Payment Schedules;
 - iii. Itemized Budgets for Staff Costs; and
 - iv. Chief Officers Staff List for each Department as at 30 June, 2024.
 - v. HRIS-Ke data for the month of December 2024

c) Interviews

- 2.15 The Audit Team interviewed relevant employees from the County Executive and County Public Service Board (CPSB). This was done in order to understand payroll processes and obtain clarification on audit issues. The officers interviewed are as listed in **Appendix 1**.

d) Physical Verification of Staff

- 2.16 The Special Audit Team through the County Secretary, requested sixty-one (61) employees to present themselves in person for a physical verification, which was based on initial exceptions from data analytics. This verification was to confirm existence of staff, their employment status and the accuracy of the staff personal data maintained in the payroll systems.
- 2.17 The Audit Team through the County Secretary, requested five hundred and eighty-eight (588) employees to appear in person for a physical verification, which was based on initial exceptions during data analytics. This verification was to ensure existence of staff, their employment status and accuracy of personal data maintained in the payroll systems.

Report Structure

2.18 The report is organized as follows:

- i. Executive Summary;
- ii. Introduction and Background;
- iii. Detailed Findings;
- iv. Conclusion;
- v. Recommendations; and
- vi. Appendices;

2.19 The report should be read in its entirety in order to fully comprehend the approach to the audit, findings, conclusions and the proposed recommendations.

3. DETAILED FINDINGS

- 3.1 The detailed findings are in the ensuing paragraphs and have been categorized into the following six (6) broad areas:
- a. Payroll Budgeting;
 - b. Recruitment Process;
 - c. Employee Data Management;
 - d. Payroll Processing and Payments; and
 - e. Compliance with Laws and Regulations
 - f. Migration from Integrated Payroll and Personnel Database System to Human Resource Information System-Kenya.

A. Payroll Budgeting

- 3.2 The audit of payroll budgeting aimed at assessing the reasonableness of payroll forecasts, alignment with approved budgets and compliance with relevant laws and regulations. The following audit issues were established:

I. Employee Cost to Revenue Ratio

- 3.3 Regulation 25(1)(a) of Public Finance Management (County Governments) Regulations, 2015 requires the County Executive Committee Member for Finance with the approval of the County Assembly to set a limit on the county government's expenditure on wages and benefits for its public officers pursuant to Section 107(2) of the Public Finance Management Act, 2012. Regulation 25(1)(b) requires the limit set not to exceed thirty-five (35%) percent of the county government's total revenue.
- 3.4 The Special Audit established that the ratio of budgeted compensation of employees to budgeted revenue was within the 35% threshold in two (2) of the three (3) financial years under review and exceeded the threshold (35%) in 2022/2023, contrary to Regulation 25(1)(a) of Public Finance Management (County Governments) Regulations, 2015 as detailed in **Table 1**.

Table 1: Budgeted Employee Cost to Budgeted Revenue Ratio

Financial Year	Total Revenue (Kshs.)	Staff Emoluments Expenditure (Kshs.)	Revenue/ Expenditure Ratio (%)
2023/2024	13,286,616,749	4,710,836,190	35
2022/2023	10,609,121,995	3,945,990,200	37
2021/2022	13,213,659,493	3,695,873,738	28

*Source: Audited Financial Statements

- 3.5 Further, comparison of actual personal emolument expenditure with actual revenue as reflected in the financial statements revealed that the County Executive had also exceeded the thirty-five (35%) percent threshold in the three (3) of the three (3) financial years as detailed in **Table 2**.

Table 2: Actual Employee Cost to Actual Revenue Ratio

Financial Year	Total Revenue (Kshs.)	Expenditure of Staff Emoluments (Kshs.)	Revenue/ Expenditure Ratio (%)
2023/2024	9,709,129,531	4,261,101,832	44
2022/2023	9,302,865,638	3,903,047,513	42
2021/2022	9,265,267,117	3,612,444,534	39

*Source: Audited Financial Statements

- 3.6 The increase in percentage of compensation of employee to total revenue indicates a growing wage bill, which may be unsustainable in the long term. Further, the high allocation to compensation of employee may strain the county's financial resources, limiting funds available for critical development projects and essential service delivery.

II. Budget Votes in Payroll Systems not Aligned with those in Approved Budget

- 3.7 Regulation 22(1)(b) of Public Finance Management (County Governments) Regulations, 2015 requires an Accounting Officer to maintain effective systems of internal control and have measures to ensure their effectiveness.
- 3.8 Comparison of payroll reports extracted from IPPD system with approved budget established that the vote heads in IPPD were not aligned with those in the approved budget as shown in **Annexure 1**.

- 3.9 One of the primary factors contributing to the misalignment between the departments and the vote lines was the failure to update the IPPD System to reflect changes resulting from the restructuring and consolidation of various sectors within the County Executive.
- 3.10 The County Executive migrated the processing of payrolls from the IPPD System to HRIS-Ke in December 2024. This was done before the alignment was done. As a result, at the time of audit, the HRIS-Ke had similar Votes Heads to those in the IPPD System.
- 3.11 The continued referencing to outdated departmental structures leads to inconsistencies between budgetary allocations and actual payroll expenditures, increasing the risk of misallocation or even misuse of public funds, as expenditure may be charged under incorrect or obsolete vote heads.

B. Recruitment Process

- 3.12 The recruitment process was reviewed in order to evaluate whether the hiring practices were fair and aligned with the County Executive's policies and legal requirements. The following issues were reviewed:

I. Lack of Annual Recruitment Plans

- 3.13 Section 59(1)(g) of the County Governments Act, 2012 requires the County Public Service Board of a county to facilitate the development of coherent, integrated human resource planning and budgeting for personnel emoluments in counties. Further, Regulation 119(2) of the Public Finance Management (County Governments) Regulations, 2015 requires the budgetary allocation for personnel costs to be determined on the basis of a detailed costing of a human capital plan of a county government entity as approved by the responsible county department for public service management matters, the County Public Service Board and County Treasury.
- 3.14 The County Executive recruited three thousand nine hundred and eighty-two employees (3,982) during the three (3) financial years.

Table 3: Staff Recruited Over the years

Year	Casual	Contract	Permanent & Pensionable	No. of Staff
2021/2022	830	0	425	1,255
2022/2023	658	39	1415	2,112
2023/2024	433	93	89	615
Total	1,921	132	1,929	3982

*Source: OAG Analysis

- 3.15 The lack of annual recruitment plans supported by budgetary provisions can result in either overstaffing, understaffing, or hiring staff for roles that do not align with organizational priorities.

II. Designations in the Integrated Payroll and Personnel Systems not Aligned with Approved Staff Establishment

- 3.16 Regulation 22(1)(b) of Public Finance Management (County Governments) Regulations, 2015 requires an Accounting Officer to maintain effective systems of internal control and have measures to ensure their effectiveness.
- 3.17 The Special Audit established that there were six hundred and three (603) designations that were configured in IPPD system. However, out of the configured designations, five hundred and twenty (520) were not in the approved staff establishment. There were three thousand nine hundred thirty-seven (3,937) employees who were grouped in the three hundred and five hundred and twenty (520) designations as detailed in **Annexure 2**.
- 3.18 The County Executive migrated the processing of payrolls from the IPPD System to HRIS-Ke in December 2024. This was done before the alignment was done. As a result, at the time of audit, the HRIS-Ke had similar designations to those in the IPPD System.
- 3.19 As a result of the misalignment between the staffing records in the IPPD system and the approved staff establishment, it was not possible to establish whether the County filled positions in accordance with the approved staff establishment. This may lead to inefficiencies in workforce planning, budget overruns and service delivery.

C. Employee Data Management

- 3.20 Review of employee's data management involved assessing the accuracy and completeness of both manually maintained and data from the IPPD System. The following issues were established:
- 3.21 Regulation 22(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 requires an accounting officer to be accountable to the County Assembly for maintaining effective systems of internal control and the measures taken to ensure that they are effective.

I. Missing Bio Data Details in the Manual Payrolls

- 3.22 Analysis of the manual payrolls as at 30 June 2024 reveal that, five hundred and seventy-six (576) officers did not have National Social Security Fund (NSSF) numbers, National Health Insurance Fund (NHIF) numbers and Kenya Revenue Authority (KRA) PIN numbers as detailed in **Annexure 3**.

II. Failure of Chief Officers to Account for Human Resources in their Departments

- 3.23 Section 148(1) of the Public Finance Management Act, 2012 requires a County Executive Committee Member for Finance to, designate accounting officers to be responsible for managing the finances of the county government entities as is specified in the designation. Further, Sub-section (2) requires the person responsible for the administration of a county government entity to be the accounting officer responsible for managing the finances of that entity except as otherwise stated in other legislation.
- 3.24 The Letter of Engagement addressed to the County Secretary for the in-depth payroll audit, dated 5th January 2025, vide letter Ref: OAG/SAS/SADS/KDSP-PAYROLL/3/027 required Chief Officers to provide a list of staff members in their department as at 30 June 2024. This list was to be compared with employees in the payroll systems maintained by the County Executive.
- 3.25 A comparison of staff lists countersigned by various Chief Officers with the IPPD staff register revealed that six (6) employees were listed in the IPPD system but not in the lists provided by the Chief Officers, and these employees collectively

received payments totaling to Kshs.7,652,097 for the financial years 2021/2022, 2022/2023, and 2023/2024, as detailed in **Annexure 4**.

- 3.26 Management indicated that the discrepancies arose due to some employees' biodata—such as ID numbers—being incorrectly captured by the department, which was later corrected upon verification. Additionally, some officers who had exited service were removed from the Chief Officers' staff lists but remained in the IPPD system for up to three months due to processing delays, although they did not receive any salary during that period.

D. Payroll Processing and Payments

- 3.27 Assessment was carried out on controls in payroll processing and payments to determine whether employee salaries and deductions were accurately calculated, authorized, and compliant with the applicable laws and policies and the accuracy of payments. The following issues were established:

I. Charging of Employee Costs to the Wrong Budget Vote

- 3.28 Regulation 22(1)(b) of Public Finance Management (County Governments) Regulations, 2015 requires an Accounting Officer to maintain effective systems of internal control and have measures to ensure their effectiveness.
- 3.29 The audit established that there was a misalignment between departmental Vote Heads in the IPPD System and those in the Integrated Financial Management Information System (IFMIS) Ledger Account. As a result, a comparison of the gross salary processed through the IPPD System, casual payroll and manual payrolls to salary ledgers from the IFMIS established that posting of salary in the IFMIS was not done as per departmental Budget Votes as demonstrated in **Annexure 5**.
- 3.30 This misalignment led to inconsistencies between budget allocations and actual expenditures by departments, therefore increasing the risk of misuse of funds and inaccurate financial reporting.

II. Drawing Salary from Different Government Entities

- 3.31 During financial year 2023/2024, there were two (2) employees who were engaged in both County Executive of Uasin Gishu and the Teachers Service Commission between July 2023 and January 2024. The total amount paid to the employees by the County Executive of Uasin Gishu amounted to Kshs.358,240 as detailed in **Table 4**. The two (2) officers did not appear for physical verification. Further it was explained that the two officers had absconded duties. **Annexure 6**.

Table 4: Drawing Salary from Different Government Entities

S/No.	Month	County-Paid Amount (Kshs.)	TSC-Paid Amount (Kshs.)
1	Jul-23	33,970.00	11,693.55
2	Aug-23	35,400.00	51,904.60
3	Aug-23	49,730.00	49,754.00
4	Sep-23	37,940.00	49,754.00
5	Sep-23	51,160.00	222,388.00
6	Oct-23	36,510.00	49,754.00
7	Nov-23	36,510.00	49,754.00
8	Dec-23	40,510.00	49,754.00
9	Jan-24	36,510.00	49,754.00
		358,240.00	584,510.15

*Source: OAG Analysis

- 3.32 Loss of public funds arising from the two (2) officers receiving compensation from both the County Executive of Uasin Gishu and the Teachers Service Commission.
- 3.33 The absence of these employees during physical verification and the fact that they had absconded duties may indicate weaknesses in the County's internal control systems and thus the officers might have been compensated without rendering services to the County Executive of Uasin Gishu.

III. Employee in Both IPPD and Manual Payrolls

- 3.34 Section 149(1) of the Public Finance Management Act, 2012 imposes on an accounting officer of a county government entity the responsibility of ensuring that the resources of the entity for which the officer is designated are used in a way that is (a) lawful and authorized, and (b) effective, efficient, economical and transparent.
- 3.35 During the years under review, the County Executive was maintaining payroll in IPPD system for employees with Payroll Numbers, Manual Payrolls for employees without payroll numbers and casual payroll for casual workers.
- 3.36 A comparison between manual payrolls provided and IPPD generated payroll revealed that those fifteen (15) employees were paid in both payrolls. The total amount paid to these employees was Kshs.3,185,294 as detailed in **Annexure 7**.
- 3.37 The existence of employees in both payrolls indicates likelihood of fraudulent activities, that may result to loss of public funds due to double payments.

IV. Circumventing Payroll Controls to Pay Irregular Salary Arrears

- 3.38 Article 201 (d) of the Constitution of Kenya, 2010 on principles of public finance require accountability in financial matters, responsible financial management and use of public money in a prudent and responsible way.
- 3.39 Section 149(1) of the Public Finance Management Act, 2012 imposes on an accounting officer of a county government entity the responsibility of ensuring that the resources of the entity for which the officer is designated are used in a way that is (a) lawful and authorized, and (b) effective, efficient, economical and transparent. Further, Regulation 120(3) of the Public Finance Management (County Governments) Regulations, 2015 requires the accounting officer to certify the correctness of the payroll at least once every month.
- 3.40 During the years 2021/22, 2022/23 and 2023/24 the County Government of Uasin Gishu paid arrears amounting to Kshs.60,348,672, Kshs.22,697,587 and Kshs.33,140,189 respectively. Further examination of records established irregularities and control weaknesses, including the payment of gross monthly

allowances totaling Kshs.52,247,774 during the financial year 2021/2022 to five hundred and thirty-four (534) employees who were not eligible for the allowance, as detailed **Annexure 8**.

- 3.41 This indicates weak financial and human resource controls. Further, the irregular payments of the allowances is a financial losses to the County Executive.

E. Compliance with Laws and Regulations

- 3.42 The audit assessed the County Executive's adherence to laws on statutory deductions and labor laws. The following issues were established:

I. Irregular Acting Allowances

- 3.43 Section C.14 (1) of the Public Service Human Resource Policies and Procedures Manual, 2016 provides that acting allowance will not be payable to an officer for more than six (6) months.
- 3.44 Review of the IPPD system revealed that ten (10) employees, had been acting for a period exceeding six (6) months. The acting allowance paid during the period under review amounted to Kshs.408,923. **Annexure 9**.
- 3.45 Therefore, having one officer perform responsibilities in both the substantive and acting roles, for a long period may compromise their productivity, undermine accountability, and hinder effective service delivery.

II. Non-Compliance to Remittance of Statutory Deductions

- 3.46 Rule 10(1) of Income Tax (P.A.Y.E) Rules requires that before the tenth day following the end of every month or before any other day which may be notified to him by the Commissioner, an employer shall pay all amounts of tax which the employer has deducted during such month.
- 3.47 Section 5(1) of Affordable Housing Act require an Employer to deduct and remit Housing Levy and also remit an amount equivalent to the deducted amount to the collector. Section 4(3) requires the amounts to be remitted not late than the ninth working day after the end of the month in which the gross salary was due or gross income was received or accrued.

- 3.48 Examination of statutory deductions, payment vouchers and bank statements provided for audit revealed that Kshs.40,852,155 was not remitted to respective authorities/funds as detailed in **Annexure 10(a)**.
- 3.49 Further, examination of payment records and bank statements provided for audit verification revealed that National Health Insurance Fund (NHIF), National Social Security Fund (NSSF), and Pay As You Earn (PAYE) deductions from employees were not remitted to the respective funds on time, as detailed in **Annexure 10(b)**.
- 3.50 Delayed remittance of NHIF, NSSF, PAYE contributions attract penalties and interest as stipulated in the respective laws, increasing the county's financial burden.
- 3.51 Failure to remit statutory deductions on time exposes the County to penalties, interest and reputational risks, thereby undermining stakeholders' confidence.

III. Non-Compliance with Requirement on Ethnic Diversity

- 3.52 Section 7(1) of National Cohesion and Integration Act, 2008, states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff. Section 7(2) states that no public establishment shall have more than one-third (33%) of its staff from the same ethnic community.
- 3.53 Analysis of employees in the IPPD system as at 30 June, 2024 established that 86% of the staff were from one dominant ethnic community contrary to the requirements of Section 7(2) of the National Cohesion and Integration Act, 2008 as detailed in **Annexure 11(a)**.
- 3.54 Further in the year 2023/2024, the Board recruited one hundred eighty-two(182) employees, 89% of whom were from the same dominant community as detailed **Annexure 11(b)**. This is contrary to Section 65(1)(e) of the County Governments Act, 2012.
- 3.55 The non-compliance to ethnic diversity is a violation of legal requirements and may lead to litigation proceedings.

IV. Non-Compliance with One Third Basic Salary Rule

- 3.56 Section 19 (3) of Employment Act, 2007 require the total amount of all deductions that may be made by an employer from the wages of his employee at any one time not to exceed two-thirds of such wages.
- 3.57 An analysis of the staff payroll for the financial years 2021/2022, 2022/2023, and 2023/2024 established that one thousand one hundred and ninety-two (1,192) employees who were receiving net salaries that were less than one-third of their basic salaries contrary to Section 19(3) of the Employment Act, 2007 as detailed **Annexure 12.**
- 3.58 Employees earning less than one-third of their basic salary may be unable to meet their personal financial obligations. This may adversely affect their productivity, decision-making, and ability to effectively safeguard county interests.

V. Casuals Employees Engaged Beyond Stipulated Period

- 3.59 Section 37(1) of the Employment Act, 2007 provides that if a casual employee works continuously for a period equivalent to one month or performs tasks that extend beyond three months, their employment shall be deemed to be on a monthly wage contract basis.
- 3.60 Examination of the manual payrolls revealed that there were eighty-one (81) employees who had been engaged for more than three months continuously contrary to Section 9(1)(a) and Section 37(1)(b) of the Employment Act. The total amount paid to the casual employees was Kshs.12,630,321 as detailed in **Annexure 13.**
- 3.61 The engagement of casuals beyond the stipulated period exposes the County Executive to litigation proceedings and associated costs.

VI. Active Staff Above Age 60 years

- 3.62 Section 80 of the County Governments Act provides that the mandatory retirement age for a county public officer generally or for any category of public officers, shall be prescribed by policy of the national government.
- 3.63 The policy of the national government on retirement age is prescribed in regulation 70 (1) of the Public Service Commission Regulations, under which the mandatory retirements age in the public service is sixty years and sixty-five for persons with disability.
- 3.64 Analysis of IPPD data and physical verification revealed that there were two (2) employees who had attained the retirement age of 60 years. The total amount paid for the extra years amounted to Kshs.4,400,950. **Annexure 14.**

VII. Non-Compliance with Gender Equality and Distribution in the County Government

- 3.65 Under Article 27(8) of the Constitution, the state is required to take measures to implement the principle that not more than two-thirds of the members of elective or appointive bodies shall be of the same gender.
- 3.66 Section 68A of the County Governments Act, each county public service board is required to promote equal opportunity in the county public service, and establish and implement strategies for the elimination of any form of discrimination on the basis of ethnicity, gender, religion, health, marital status or disability.
- 3.67 The staff registers as of 30 June 2024 had 60% of employees from one gender. Further, out of one hundred and eighty-two (182) employees recruited during the year 2023-2024, one hundred and fifty-two (152) employees representing 84% were from the same dominant gender as detailed in **Annexure 15**. This was Contrary to Article 27(8) of the Kenyan Constitution, 2010, mandating fair gender representation in public appointments.
- 3.68 The gender imbalance contravenes Section 27(8) of the Kenyan Constitution, 2010, which guarantees equal rights and opportunities for all, regardless of gender

F. Migration from Integrated Personnel and Payroll Database System to Human Resource Information System-Kenya

- 3.69 Section 149(2)(a) of the Public Finance Management Act, 2012 requires the accounting officer of a county government to ensure that all expenditure made by the entity complies with requirements on lawful, authorized, and transparent use of resources of the entity.
- 3.70 The County Executive adopted the Human Resource Information System (HRIS-Ke) with effect from December 2024. Comparison between November, 2024 IPPD data and December 2024 HRIS-Ke data established instances of overpayment and underpayments of salaries and allowances as shown in table below and detailed in **Annexure 16 (A-C)**.

Table 5: Underpayment and Overpayment of Allowances

Allowance	Total Amount Underpaid		Total Amount Overpaid	
	Number of Employees	Amount (Kshs.)	Number of Employees	Amount (Kshs.)
Health Workers Extraneous	36	38,000	236	1,470,000

*Source: OAG Analysis

I. Employees Not Migrated to HRIS

- 3.71 The Special Audit established that three (3) employees who were not in the November 2024 but were added to the December 2024 HRIS-Ke. Management did not provide evidence to justify the introduction of the three officers in the payroll. In the month of December 2024, the three officers were paid a gross of Kshs.91,760. **Annexure 16 (b)**
- 3.72 The Special Audit established that the net pay for six (6) employees was less than one-third of their basic pay, contrary to statutory provisions. This indicates non-compliance with payroll regulations and highlights weaknesses in the payroll management system. **Annexure 16 (c)**.

4. CONCLUSION

- 4.1 The Uasin Gishu County Government did not comply with requirement on limiting the Employee Cost within thirty-five (35%) of Revenue. The non-compliance with requirements on limiting the Employee Cost within thirty-five (35%) of Revenue indicates weaknesses in internal budgeting process and inadequate oversight role by the County Assembly. Therefore, the County's financial resources are strained, limiting the funds available for critical development projects and essential service delivery.
- 4.2 The Vote Heads in the IPPD System and HRIS-Ke were not aligned with those in the approved budgets and those configured in the IFMIS Ledgers. The misalignment hinders effective management of departmental budgets and control resulting to inaccurate financial reporting. Further, it undermines the obligations of the Accounting Officers to ensure lawful, efficient, and accountable use of public resources. In addition, it increases the risk of unauthorized or irregular salary payments.
- 4.3 The departments in the County Executive did not have approved annual human resource recruitment plans. The absence of annual recruitment plans demonstrates ineffective workforce planning. This hampers the county's ability to plan, budget, and deploy personnel effectively across departments, leading to staffing gaps or surpluses.
- 4.4 The IPPD System and HRIS-Ke were not updated with approved designations in the approved staff establishment. These increases the risk of unauthorized or irregular salary payments. This weakness compromises the integrity of payroll processing, weakens accountability, and may result in discrepancies between approved staffing structures and actual payroll expenditures.
- 4.5 The audit identified that the data maintained by the payroll system used by the County Executive had integrity issues. This was evidenced by the inaccurate dates of birth in the IPPD System and HRIS-Ke. Data with integrity issues indicates weak internal controls and increases the risk of irregular or fraudulent payments,

including paying salaries to staff who do not offer services to the County Executive and miscalculation of retirement dates and pension dues of employees.

- 4.6 The authenticity of some of the employees could not be established. This was evidenced by the failure by the Chief Officers to account for employees in their departments and the payroll data Integrity issues. This casts doubt on authenticity of payroll records and raises the risk of irregular or fraudulent payments, including paying salaries to staff who do not offer services to the County.
- 4.7 There were instances where employees were overpaid or paid irregular allowances. This reflects weaknesses in the payroll system's controls, including poor data validation and lack of oversight. These lapses increase the risk of financial misstatements, fraudulent payments, and non-compliance with applicable policies, ultimately undermining the integrity and accountability of the payroll process.
- 4.8 The controls over processing and payment of salary were not adequate as evidenced by the unauthorized job group changes and circumventing payroll controls to pay irregular salary arrears. This indicates weak financial and human resource controls, that were exploited to process irregular payments. This weakness undermines the reliability of payroll data, increases the risk of financial loss, and reflects inadequate system and management controls.
- 4.9 The County Executive did not comply with tax and labour laws as evidenced by non-deduction, non-remittance, late remittance of statutory deduction and non-compliance with requirement on ethnic diversity and non-compliance with one third basic salary rule. This violates legal and regulatory obligations, increasing the risk of penalties, litigation, and reputational damage, thereby undermining stakeholders' confidence.
- 4.10 The migration from the IPPD System to the HRIS-Ke was inadequately managed, resulting in overpayments, underpayments, and failure to migrate some employees. This indicates weaknesses in data validation, lack of system configuration to enforce salary structures, and insufficient post-migration

reconciliation controls, thereby exposing the County Executive to financial loss and reputational risk.

5. RECOMMENDATIONS

- 5.1 In view of the findings and conclusion of the Special Audit, the following is recommended for implementation by the Uasin Gishu County Executive.
- 5.2 To ensure compliance with the fiscal responsibility principle on capping expenditure on wages to thirty-five (35%) percent of the County Executive's total revenue, the County Assembly should establish mechanisms to ensure compliance with the PFM Act in the execution of its oversight responsibilities.
- 5.3 For effective management of departmental budgets and enhance accuracy in reporting of personal emolument expenditure per department thus promoting accountability, the Chief Officers for Public Finance together with the Management of the State Department for Public Service and Human Capital Development (the custodian of the Human Resource Information System-Kenya) should ensure that the Human Resource Information System – Kenya (HRIS-Ke) is at all time configured with the approved budget vote structures. Further, staff costs should be charged to the votes under which their budgets are made.
- 5.4 To enhance transparency, fairness, and accountability in the recruitment process, the County Executive should develop and implement annual recruitment plans aligned with staffing needs and budgetary provisions.
- 5.5 To enhance the attainment of optimal staffing levels, management of the County Executive should align the payroll system with the approved staff establishment and ensure consistency between authorized positions and personnel data. Additionally, the staff establishment module in the HRIS-Ke should be fully implemented and configured to enforce recruitment strictly within the approved establishment limits.
- 5.6 To ensure integrity of data maintained in the payroll systems, the Management should ensure the validation controls are implemented in the in the HRIS-Ke. Further, the HRIS-Ke should be integrated with Key government systems such as the National Identity, National Social Security Fund (NSSF), Social Health Authority (SHA). Additionally, the use of manual Excel-based payrolls should be discontinued in favour of HRIS-Ke.

- 5.7 To reduce instances of financial loss due to irregular payment of allowances, enhance payroll integrity and support effective personnel management, the County Executive, together with the State Department for Public Service and Human Capital Development should ensure HRIS-Ke is appropriately configured to automatically enforce salary structures, as stipulated in the Salaries and Remuneration Commission Circulars and other relevant directives. Further, validations controls should be implemented in order to ensure compliance, enhance payroll accuracy, and prevent irregular financial transactions.
- 5.8 Management should conduct a comprehensive post-migration payroll reconciliation to identify and correct overpayments and underpayments resulting from the system transition. Further, HRIS-Ke should be configured to enforce approved salary structures and allowance.
- 5.9 All salaries and allowances irregularly paid or overpaid should be recovered and responsible officers held accountable.

6. APPENDICES

Appendix 1: List of Staff Interviewed

Designation	Department
Ag. County Secretary	Governor's office
DHRM CPSB	CPSB
CEO CPSB	CPSB
Manager payroll	Public Service and Administration
Supervisor payroll	Public Service and Administration

Appendix 2: List of Annexures

The **Annexures** referenced in the report and which are listed below will be provided in soft copies:

No.	Name	Description
1.	Annexure 1	List of Staff Interviewed
2.	Annexure 2	Budget Votes in Human Resource Information System – Kenya not Aligned with those in Approved Budget.
3.	Annexure 3	Designations in the Human Resource Information System - Kenya not Aligned with Approved Staff Establishment
4.	Annexure 4	Same ID Numbers used in Different Entities
5.	Annexure 5	Missing Bio Data Details in the Manual Payrolls
6.	Annexure 6	Failure of Chief Officers to Account for Human Resources in their Departments.
7.	Annexure 7	Charging of Employee Costs to the Wrong Budget Vote
8.	Annexure 8	Employee in Both IPPD and Manual Payrolls
9.	Annexure 9	Misuse of Arrears to Circumvent Controls Over Payment of Allowances
10.	Annexure 10	Irregular Acting Allowances
11.	Annexure 11	Non-Compliance to Remittance of Statutory Deductions
12.	Annexure 12	Non-Compliance with Requirement on Ethnic Diversity
13.	Annexure 13	Non-Compliance with One Third Basic Salary Rule
14.	Annexure 14	Casuals Employees Engaged Beyond Stipulated Period
15.	Annexure 15	Active Staff Above Age 60 years
16.	Annexure 16	Non-Compliance with Gender Equality and Distribution in the County Government
17.	Annexure 17(a)(b)(c)	Migration from Integrated Personnel and Payroll Database System to Human Resource Information System-Kenya.

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